



Enterprise Bill: Late Payment of Insurance Claims

Issue:

Late payment is a major problem for businesses. Where a business has suffered a loss such as a fire or flood, it is likely to rely heavily on insurance. Any unnecessary delay in payment can have significant impacts on a business' ability to continue or re-start trading after an insured loss. However, insurers under contracts of indemnity insurance in England and Wales are under no legal obligation to pay valid claims within a reasonable time. Although Financial Conduct Authority (FCA) rules require claims to be handled and settled promptly, any failure to comply does not entitle a policyholder to claim damages for late payment. The government is committed to combating unreasonably late payment of sums due to businesses in particular. The law should incentivise insurers to pay as promptly as is reasonable, and give policyholders a legal right to enforce this.

Measure:

The measures will:

- introduce into every contract of insurance a requirement on the insurer to pay sums due within a reasonable time;
- provide a non-exhaustive list of matters which may be taken into account when determining what is a "reasonable time" for payment in the particular circumstances of a case, and state that a reasonable time will always include time to investigate and assess the claim. The insurer will have a defence to a claim for breach of the implied term where it had reasonable grounds for disputing the validity or value of a claim; and
- allow for contracting out of the default rules for non-consumer insurance contracts, provided that the insurer satisfies the transparency requirements set out in the Insurance Act 2015 (unless the breach of the term is deliberate or reckless, in which case any 'contracting out' term)

Aims and Impact:

The measures will:

- ensure that the law incentivises insurers to pay insurance claims within a reasonable time, and to promote payments within a reasonable time;
- give policyholders a contractual right to the payment of insurance claims within a reasonable time; and
- provide for general damages to be payable by an insurer where a policyholder suffers additional loss because of the insurer's unreasonable delay in payment.